Half-year financial report

December 31, 2023

Pernod Ricard

General summary

1 CERTIFICATION BY THE PERSON ASSUMING RESPONSIBILITY FOR THE HALF-YEAR FINANCIAL REPORT

I certify that to the best of my knowledge the half-year consolidated condensed financial statements included in this document have been prepared in accordance with the applicable accounting standards and present a true picture of the assets, financial situation and results of all the companies included within the Pernod Ricard Group, and that the enclosed half-year activity report is a true reflection of the important events arising in the first six months of the financial year and their impact on the annual financial statements, a statement of the principal transactions between related parties, as well as a description of the principal risks and uncertainties for the remaining six months of the financial year.

Alexandre Ricard
Chairman and CEO

2 HALF-YEAR ACTIVITY REPORT

2.1. Key figures and business analysis

H1 FY24 Sales totalled €6,590m, in organic decline of -3% (-7% reported), with a negative FX impact of **€(576)m** mainly linked to the US dollar, Turkish lira, Chinese yuan and Argentinian peso, with broadly half of it offset by a **positive perimeter impact of +€264m.**

By regions:

- **Americas -7%:**
  - USA -7%:
    - Consumer demand resilient as spirits market continues to normalize
    - Net Sales -7% with value depletions c. -6%, due to high comparison basis and compounded by inventory adjustments (c. 3pts)
    - Share gains on Jameson Original, Malibu, Kahlua, The Glenlivet, Código and Jefferson's
    - Significant investments behind our brands with A&P at c. 20% of Net Sales
    - Improvement expected in H2, with strong brand activations, despite further inventory adjustments
  - Canada Sales decline with adverse phasing last year
  - LATAM high comparison basis in Brazil and Mexico, improvement expected in H2 and easing comparables.
- **Asia-RoW +1%:**
  - China -9%:
    - Softened consumer demand in a challenging macro environment
    - Dynamism of international premium spirits notably strong growth of Absolut, Jameson, Tequila and Gin
    - Martell Noblige resilient, Premium and Super premium whiskies performance including Chivas Regal in growth
    - Cautious trade sentiment ahead of CNY
  - India +4%:
    - Strong market demand for spirits
    - Acceleration in Q2 Net Sales against easing comparables
    - Strategic International Brands in very strong growth notably Jameson, Absolut and The Glenlivet
    - Good growth on Seagram's whiskies
    - Strong growth expected in H2
  - Good growth in Japan, Taiwan market, Travel Retail and Australia. Africa Middle East in very sharp growth driven by Turkey acceleration and Nigeria.
- **Europe -4%:**
  - Net Sales excluding Russia +1% with overall resilience in the region. Strong growth[1] in Central and Eastern Europe led by Poland. Resilience in Western Europe led by Germany and offsetting softer performance in France, UK, and normalization in Spain. Gaining share in premium+ category in many markets.
- **Global Travel Retail -3%:**
  - Ongoing normalization of passenger traffic, now at c. 95% vs pre-covid, with Chinese travel recovery lagging
  - Net Sales impacted by phasing in H1 with strong growth expected in H2

By categories:

- **Strategic International Brands -4%:** good growth of Royal Salute, Havana Club and Perrier-Jouët offset by decline of Martell, Jameson, Chivas Regal and Ballantine's due to exposure to China, USA and LATAM. Jameson continuing its international expansion, Absolut in dynamic growth in Asia-RoW and Europe
- **Strategic Local Brands +4%:** growth across Seagram's Indian whiskies portfolio and Kahlua in many markets
- **Specialty Brands -5%:** solid performance of Altos, Italicus, Ki No Bi. Category impacted by overall exposure to US market normalization and inventory adjustment
- **Strategic Wines -11%:** decline notably in USA, UK and Canada.

Premium portfolio driving **high-single digit pricing in all regions**, with lower volumes and adverse market mix. **Holding or gaining share in many markets**.

2.1.1. Profit from Recurring Operations

Group (€ million)	31.12.2022	31.12.2023	Reported growth		Organic growth[(1)]	
Net sales	7,116	6,590	(525)	-7%	(213)	-3%
Gross margin after logistics expenses	4,368	4,081	(287)	-7%	(46)	-1%
Advertising and promotion expenses	(994)	(980)	14	-1%	(6)	1%
Contribution after advertising and promotion	3,375	3,101	(273)	-8%	(53)	-2%
Profit from Recurring Operations	**2,423**	**2,144**	**(279)**	**-12%**	**(69)**	**-3%**

(1) At constant forex and Group structure (organic growth)

H1 FY24 Profit from Recurring Operations reached €2,144m, an organic decline of -3%, **sustaining organic operating margin (+7 bps)**:

- **Strong Gross Margin expanding significantly +126 bps**:
  - Superior Revenue Growth Management and focus on operating costs efficiencies,

[1] Excluding Russia

- Offsetting easing inflation on Costs of Goods and adverse market mix
- **Strong portfolio activation with A&P at c. €1bn**
- **Very strict discipline on Structure costs**

Business activity by geographic area

Americas (€ million)	31.12.2022	31.12.2023	Reported growth		Organic growth[1]	
Net sales	2,005	1,860	(145)	-7%	(145)	-7%
Gross margin after logistics expenses	1,314	1,232	(82)	-6%	(41)	-3%
Advertising and promotion expenses	(349)	(374)	(25)	7%	(13)	4%
Contribution after advertising and promotion	965	858	(107)	-11%	(54)	-6%
Profit from Recurring Operations	**697**	**555**	**(142)**	**-20%**	**(84)**	**-12%**

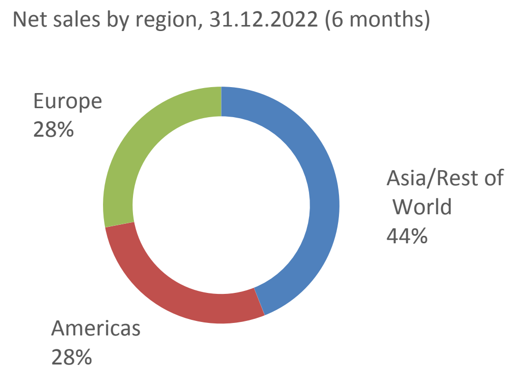
(1) At constant forex and Group structure (organic growth)

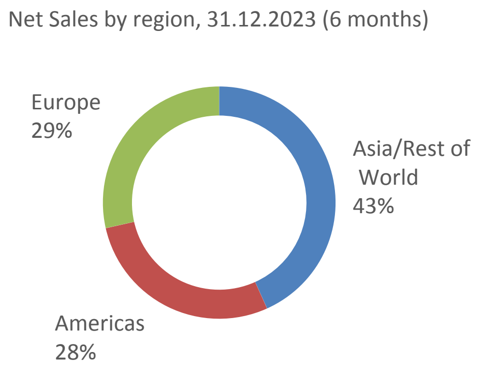
Asia/Rest of World (€ million)	31.12.2022	31.12.2023	Reported growth		Organic growth[1]	
Net sales	3,122	2,850	(272)	-9%	16	1%
Gross margin after logistics expenses	1,827	1,699	(128)	-7%	62	3%
Advertising and promotion expenses	(400)	(357)	43	-11%	7	-2%
Contribution after advertising and promotion	1,427	1,342	(86)	-6%	69	5%
Profit from Recurring Operations	**1,074**	**997**	**(77)**	**-7%**	**60**	**6%**

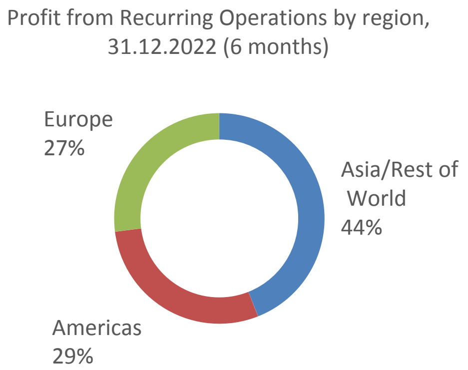
(1) At constant forex and Group structure (organic growth)

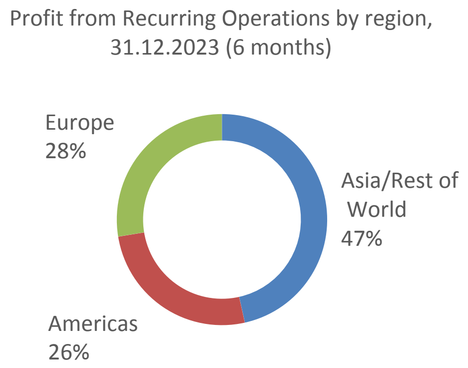
Europe (€ million)	31.12.2022	31.12.2023	Reported growth		Organic growth[1]	
Net sales	1,989	1,880	(108)	-6%	(84)	-4%
Gross margin after logistics expenses	1,227	1,150	(77)	-6%	(67)	-6%
Advertising and promotion expenses	(245)	(248)	(4)	2%	(1)	0%
Contribution after advertising and promotion	982	902	(80)	-8%	(68)	-7%
Profit from Recurring Operations	**652**	**591**	**(61)**	**-9%**	**(45)**	**-7%**

(1) At constant forex and Group structure (organic growth)









2.1.2. Group share of Net Profit from recurring operations

(€ million)	31.12.2022	31.12.2023
Profit from Recurring Operations	2,423	2,144
Financial income/(expenses) from recurring operations	(134)	(200)
Corporate income tax on recurring operations	(521)	(475)
Net Profit from discontinued operations, non-controlling interests and share of net profit from equity associates	(25)	(30)
Group share of Net Profit from Recurring Operations [1]	**1,743**	**1,439**
Group Net Profit per share from recurring operations – diluted *(in euro)*	**6.77**	**5.68**

(1) Recurring operating income after taking into account current financial expenses, current income tax, income from equity associates, and income from discontinued operations or operations held for sale.

Group share of Net Profit from Recurring Operations was €1,439m, -17% reported vs. H1 FY23

Net debt

Free Cash Flow at c. €301m, -68% vs H1 FY23, driven by lower reported profit and acceleration of our planned strategic investments to fuel future growth.

2.1.3. Group share of Net Profit

(€ million)	31.12.2022	31.12.2023
Profit from Recurring Operations	2,423	2,144
Other operating income and expenses	86	142
Operating profit	**2,509**	**2,285**
Financial income/(expenses) from recurring operations	(134)	(200)
Other financial income/(expenses)	(5)	(18)
Corporate income tax	(553)	(466)
Net Profit from discontinued operations, non-controlling interests and share of net profit from equity associates	(25)	(32)
Group share of Net Profit	**1,792**	**1,569**

The **Group share of Net Profit was €1,569m, -12% reported**, mainly reflecting lower Profit from Recurring Operations and non-recurring operating income, driven mainly by asset disposal.

2.2. Major risks and uncertainties for the second half of the financial year

The major risks and uncertainties Pernod Ricard Group faces are listed under chapter “Risk management” of the Universal Registration Document, available from the website of the Autorité des Marchés Financiers and from the Pernod Ricard website.

2.3. Outlook

Building on a very strong FY23 and a robust performance in H1 FY24, we are confident in our medium-term financial framework of +4% to +7% top line growth, aiming for the upper end of the range, with Organic Operating leverage of +50/+60 bps

In a challenging environment, we expect for FY24:

- **Dynamic H2 Net Sales**, improving versus H1, **and leading to broadly stable organic Net Sales in full year**
- Continued focus on **Revenue Growth Management** and **operational efficiencies**
- A&P ratio at c. 16% of Net Sales and very **strict control of Structure Costs**
- Organic Operating Margin expansion, with **Organic Operating Profit growing low-single digit**
- **Negative FX** impact partially offset by perimeter effect
- Investments in strategic inventories at a similar level to FY23, and **increase in Capex to c. €800m**
- Free Cash Flow reflecting lower reported PRO and increase in strategic investments
- **c. €300m share buyback for the year**, with c.€150m completed in H1

2.4. Definitions and link-up of alternative performance indicators with IFRS indicators

Definitions and reconciliations of alternative performance indicators with IFRS indicators are described in the management report of the 2022/2023 Universal Registration Document.

2.5. Main related party transactions

Information related to related parties transactions are detailed in note 6.6 related parties of the notes to the condensed consolidated interim financial statements included in this document.

3 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3.1. Half-year consolidated income statement

(€ million)	31.12.2022	31.12.2023	Notes
Net sales	7,116	6,590	2
Cost of sales	(2,747)	(2,509)	2
Gross margin after logistics expenses	**4,368**	**4,081**	2
Advertising and promotion expenses	(994)	(980)	2
Contribution after advertising and promotion expenses	**3,375**	**3,101**	2
Structure costs	(951)	(958)	
Profit from recurring operations	**2,423**	**2,144**	2
Other operating income/(expenses)	86	142	3.1
Operating profit	**2,509**	**2,285**	
Financial expenses	(163)	(249)	
Financial income	24	31	
Financial income/(expenses)	**(139)**	**(218)**	3.2
Corporate income tax	(553)	(466)	3.3
Share of net profit/(loss) of associates	(4)	(2)	
Net profit of discontinued and held for sale activities	–	–	
Net profit	**1,813**	**1,599**	
o/w:			
- Non-controlling interests	21	30	
- Group share	**1,792**	**1,569**	
Earnings per share - basic (in euros)	6.98	6.20	3.4
Earnings per share - diluted (in euros)	6.96	6.19	3.4

3.2. Half-year consolidated statement of comprehensive income

€ million	31.12.2022	31.12.2023
Net profit for the period	**1,813**	**1,599**
Non-recyclable items		
Actuarial gains/(losses) related to defined benefit plans	**(38)**	**(52)**
Amounts recognised in shareholders' equity	*(50)*	*(69)*
Tax impact	*13*	*17*
Equity instruments	**(15)**	**(7)**
Unrealised gains and losses recognised in shareholders' equity	*(14)*	*(10)*
Tax impact	*(1)*	*3*
Recyclable items		
Net investment hedges	**1**	**3**
Amounts recognised in shareholders' equity	*2*	*3*
Tax impact	—	*(1)*
Cash flow hedges	**(5)**	**(1)**
Amounts recognised in shareholders' equity (1)	*(6)*	*(1)*
Tax impact	*1*	—
Translation adjustments	**(461)**	**(219)**
Other comprehensive income for the period, net of tax	**(517)**	**(277)**
COMPREHENSIVE INCOME FOR THE PERIOD	**1,297**	**1,321**
Of which:		
• Group share	1,303	1,308
• non-controlling interests	(6)	13

(1) No impact recycled to result for the period.

3.3. Consolidated balance sheet

Assets

€ million	30.06.2023	31.12.2023	Notes
In net values			
NON-CURRENT ASSETS			
Intangible assets	12,250	12,119	4.1
Goodwill	6,750	6,756	4.1
Property, plant and equipment	3,901	4,065	
Non-current financial assets	855	889	4.4
Investments in associates	37	65	
Non-current derivative instruments	5	7	
Deferred tax assets	1,870	1,851	
Total non-current assets	**25,667**	**25,754**	
CURRENT ASSETS			
Inventories and work in progress	8,104	8,252	4.2
Trade receivables and other operating receivables	1,814	2,458	4.3
Income taxes receivable	31	110	
Other current assets	435	456	4.5
Current derivative instruments	15	9	
Cash and cash equivalents	1,609	1,639	4.7
Total current assets	**12,008**	**12,923**	
Assets held for sale	1	60	
TOTAL ASSETS	**37,676**	**38,737**	

Liabilities

€ million	30.06.2023	31.12.2023	Notes
SHAREHOLDERS' EQUITY			
Capital	396	396	6.1
Share premium	3,052	3,052	
Retained earnings and currency translation adjustments	10,006	11,178	
Group net profit	2,262	1,569	
Group shareholders' equity	**15,717**	**16,193**	
Non-controlling interests	998	1,016	
Total shareholders' equity	**16,715**	**17,209**	
NON-CURRENT LIABILITIES			
Non-current provisions	294	299	4.6
Provisions for pensions and other long-term employee benefits	349	395	4.6
Deferred tax liabilities	3,134	3,192	
Bonds - non-current portion	9,678	10,318	4.7
Non-current lease liabilities	384	396	4.7
Other non-current financial liabilities	173	128	4.7
Non-current derivative instruments	14	10	4.8
Total non-current liabilities	**14,026**	**14,738**	
CURRENT LIABILITIES			
Current provisions	164	148	4.6
Trade payables	3,461	3,068	
Income tax payables	113	320	
Other current liabilities	1,556	1,041	4.9
Bonds - current portion	580	739	4.7
Current lease liabilities	99	97	4.7
Other current financial liabilities	956	1,341	4.7
Current derivative instruments	6	17	4.8
Total current liabilities	**6,935**	**6,772**	
Liabilities related to assets held for sale	0	17	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**37,676**	**38,737**	

3.4. Statement of changes in shareholders' equity

€ million	Capital	Additional paid-in capital	Consolidated reserves	Actuarial gains and losses	Change s in fair value	Currency translation adjustments	Treasury shares	Equity attributable to equity holders of the Parent	Non-controlling interests	Total sharehol ders' equity
Opening position on 01.07.2022	**400**	**3,052**	**12,416**	**(268)**	**(4)**	**500**	**(152)**	**15,944**	**309**	**16,253**
Comprehensive income for the period	–	–	1,792	(38)	(20)	(432)	–	1,303	(6)	1,297
Capital variation	–	–	–	–	–	–	–	–	–	–
Expenses related to share-based payments	–	–	21	–	–	–	–	21	–	21
(Acquisition)/ disposal of treasury shares	–	–	(23)	–	–	–	(167)	(190)	–	(190)
Dividends and interim dividends distributed	–	–	(656)	–	–	–	–	(656)	(17)	(673)
Other transactions with minority interests	–	–	(13)	–	–	–	–	(13)	57	44
Other movements	–	–	5	–	–	–	–	5	–	6
Closing position on 31.12.2022	**400**	**3,052**	**13,543**	**(306)**	**(24)**	**68**	**(319)**	**16,415**	**343**	**16,758**

€ million	Capital	Additional paid-in capital	Consolidated reserves	Actuarial gains and losses	Changes in fair value	Currency translation adjustments	Treasury shares	Equity attributable to equity holders of the Parent	Non-controlling interests	Total sharehol ders' equity
Opening position on 01.07.2023	**396**	**3,052**	**13,055**	**(301)**	**(27)**	**3**	**(462)**	**15,717**	**998**	**16,715**
Comprehensive income for the period	–	–	1,569	(52)	(8)	(200)	–	1,308	13	1,321
Capital variation	–	–	–	–	–	–	–	–	–	–
Expenses related to share-based payments	–	–	26	–	–	–	–	26	–	26
(Acquisition)/ disposal of treasury shares	–	–	(23)	–	–	–	(161)	(184)	–	(184)
Dividends and interim dividends distributed	–	–	(664)	–	–	–	–	(664)	(5)	(669)
Other transactions with minority interests	–	–	(6)	–	–	–	–	(6)	10	4
Other movements	–	–	(3)	–	–	–	–	(3)	–	(3)
Closing position on 31.12.2023	**396**	**3,052**	**13,957**	**(354)**	**(35)**	**(198)**	**(623)**	**16,193**	**1,016**	**17,209**

3.5. Consolidated cash flow statement

€ million	31.12.2022	31.12.2023	Notes
CASH FLOW FROM OPERATING ACTIVITIES			
Group net profit	1,792	1,569	
Non-controlling interests	21	30	
Share of net profit/(loss) of associates, net of dividends received	4	2	
Financial (income)/expenses	139	218	
Tax (income)/expenses	553	466	
Net profit from discontinued operations	–	–	
Depreciation of fixed assets	204	217	
Net change in provisions	(50)	(42)	
Net change in impairment of goodwill, property, plant and equipment	8	14	
Changes in fair value of commercial derivatives	(4)	3	
Changes in fair value of biological assets and investments	(70)	–	
Net (gain)/loss on disposal of assets	(74)	(213)	
Expenses related to share-based payments	21	26	
Self-financing capacity before financing interest and taxes	**2,544**	**2,291**	
Decrease/(increase) in Working Capital Requirements	(1,024)	(1,169)	5.1
Interests paid	(154)	(194)	
Interests received	23	18	
Taxes paid/received	(265)	(254)	
Net change in cash flow from operating activities	**1,124**	**691**	
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure	(268)	(393)	
Proceeds from disposals of property, plant and equipment and intangible assets	98	2	
Purchases of financial assets and activities	(883)	(213)	5.2
Disposal of financial assets and activities	28	195	5.2
Net change in cash flow from investing activities	**(1,025)**	**(409)**	
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends and interim dividends paid	(1,065)	(1,199)	
Other changes in shareholders’ equity	–	–	
Issuance of long-term debt	1,302	1,692	5.3
Repayment of debt	(811)	(601)	5.3
Repayment of lease liabilities	(58)	(67)	
(Acquisitions)/disposals of treasury shares	(190)	(184)	
Net change in cash flow from financing activities	**(822)**	**(360)**	
Cash flow from non-current assets held for sale	–	–	
Increase/(decrease) in cash and cash equivalents (before foreign exchange impact)	**(723)**	**(77)**	
Effect of exchange rate changes	(8)	107	
Increase/(decrease) in cash and cash equivalents (after foreign exchange impact)	**(731)**	**30**	
Cash and cash equivalents at start of period	**2,527**	**1,609**	
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**1,796**	**1,639**	

3.6. Notes to the consolidated financial statements

Pernod Ricard is a French Company (Société Anonyme), subject to all laws governing commercial companies in France, including in particular the provisions of the French Commercial Code. The Company is headquartered at 5, cours Paul Ricard, 75008 Paris, France and is listed on the Euronext exchange. The condensed consolidated interim financial statements reflect the accounting position of Pernod Ricard and its subsidiaries (hereafter the "Group"). They are reported in millions of euros (€), rounded to the nearest million. The Group manufactures and sells wines and spirits.

On 14 February 2024, the Board of Directors approved the condensed consolidated interim financial statements ended 31 December 2023.

NOTE 1. ACCOUNTING POLICIES AND SIGNIFICANT EVENTS

Note 1.1. Accounting policies

1.1.1 Policies and accounting standards governing the preparation of the financial statements

Because of its listing in a country of the European Union (EU), and in accordance with EC regulation 1606/2002, the condensed consolidated interim financial statements of the Group for the first half-year ended 31 December 2023 have been prepared in accordance with IAS 34 (interim financial reporting) of the IFRS (International Financial Reporting Standards) as adopted by the European Union.

The Group has not anticipated any standards, amendments or interpretations published by the IASB but not yet approved or not yet mandatory in the European Union, as of 31 December 2023.

Note that:

- the Group's financial year runs from 1 July to 30 June;
- condensed consolidated interim financial statements were prepared in accordance with the same accounting principles and methods as those used in the preparation of the annual consolidated financial statements at 30 June 2023 ; except for the income tax charge which was calculated based on a forecast for the fiscal year;
- the condensed consolidated interim financial statements do not include all the information required in the preparation of the consolidated financial statements and must be read in conjunction with the consolidated financial statements at 30 June 2023.
- OECD Pillar Two rules providing for a 15% minimum tax per jurisdiction for multinational corporations have been adopted by the EU and should therefore apply as from 1 January 2024; the European directive has been transposed into the French law in December 2023. Pernod Ricard has applied the exception under IAS 12 amendment in relation to the accounting and disclosure of deferred taxes related to Pillar Two, no deferred tax was booked in the interim consolidated financial statements at 31 December 2023 with respect to additional future income tax.

Estimates — The preparation of consolidated financial statements in accordance with IFRS requires that Management makes a certain number of estimates and assumptions, which have an impact on the Group's assets, liabilities and shareholders' equity and items of profit and loss during the financial year. These estimates are made on the assumption that the company will continue as a going concern and are based on information available at the time of their preparation. Estimates may be revised where the circumstances on which they were based change or where new information becomes available. Future outcomes can differ from these estimates. At 31 December 2023, the Management was not aware of any factors likely to call into question estimates and assumptions used in the preparation of full-year consolidated financial statements at 30 June 2023.

Judgement — In the absence of standards or interpretation applicable to specific transactions, Group management used its own judgement in defining and applying accounting policies which would provide relevant and reliable information within the framework of the preparation of financial statements.

1.1.2 Seasonality

Wines and spirits sales are traditionally affected by a seasonality factor, in particular products associated with end-of-year celebrations in key markets. Sales in the first six months of the financial year are generally higher than in the second half-year.

Note 1.2. Significant events of the semester

1.2.1 Acquisitions and disposals

Transactions closed during the half-year period

During the course of the half year, the Group's affiliate Corby Spirit & Wine acquired a 90% stake in Ace Beverage Group Inc, the largest independent player in the fast-growing Canadian ready-to-drink (RTD) market.

The Group also closed the sale of the Clan Campbell blended Scotch whisky brand to Stock Spirits Group, and signed an agreement to sell the Becherovka brand and related assets (including the production facilities in Karlovy Vary) to Maspex Group. These transactions are part of Pernod Ricard's active portfolio management, aiming at adapting to the needs of its consumers and providing greater opportunities for premiumization.

Acquisitions closed during the June 2023 financial year

The purchase price allocations for the acquisitions of Sovereign Brands and Código 1530 have been closed with no material adjustment. Similarly, no material adjustment was booked in relation to the acquisition of Skrewball, whose purchase price allocation will be closed on April 30, 2024.

1.2.2 Bond issues and redemption

On September 15, 2023, Pernod Ricard SA issued a bond for 1,350 million euros in two tranches, a 4-year tranche for 600 million euros and a 10-year tranche for 750 million euros, each bearing interest at a fixed annual rate of 3.75%.

On October 24, 2023, Pernod Ricard SA redeemed in full a 500 million euro bond issued on October 24, 2019, which had reached maturity and carried a 0% coupon.

Following the Autorité des Marchés Financiers' approval of the base prospectus, on May 26, 2020, Pernod Ricard set up a Euro Medium Term Notes (EMTN) program, updated on October 11, 2021, October 24, 2022 and October 24, 2023 (the "Program"). Under the terms of the Program, Pernod Ricard and Pernod Ricard International Finance LLC may issue bonds through private placements in various currencies. Issues by Pernod Ricard International Finance LLC under the Programme will be guaranteed by Pernod Ricard SA. The securities may be admitted to trading on Euronext Paris. The maximum nominal amount of securities outstanding under the Program is set at 7 billion euros (or its equivalent in any other currency). At its meeting of August 30, 2023, the Board of Directors authorized Pernod Ricard to issue bonds under the Program up to a maximum aggregate nominal amount of 2.5 billion euros (or its equivalent in any other currency) for a period of one year from August 30, 2023.

NOTE 2. Operating segments

The Group is focused on the single business line of Wines and Spirits sales. The Group is structured into three primary operating segments constituted by the following geographical areas: Europe, Americas and Asia/Rest of World.

The Group Management Team assesses the performance of each segment on the basis of sales and its Profit from Recurring Operations, defined as the gross margin after logistics, advertising, promotional and structure costs. The operating segments presented are identical to those included in the reporting provided to Managing Directors, in particular for the performance analysis.

Items in the income statement and the balance sheet are allocated on the basis of either the destination of sales or profits. Operating segments follow the same accounting policies as those used for the preparation of the consolidated financial statements. Intra-segment transfers are transacted at market prices.

Europe *(€ million)*	**31.12.2022**	**31.12.2023**	**Variation (M€)**	**Variation (%)**
Net sales	1,989	1,880	(108)	-5%
Gross margin after logistics expenses	1,227	1,150	(77)	-6%
Advertising and promotion expenses	(245)	(248)	(4)	1%
Contribution after advertising and promotion	982	902	(80)	-8%
Profit from Recurring Operations	**652**	**591**	**(61)**	**-9%**

Americas *(€ million)*	**31.12.2022**	**31.12.2023**	**Variation (M€)**	**Variation (%)**
Net sales	2,005	1,860	(145)	-7%
Gross margin after logistics expenses	1,314	1,232	(82)	-6%
Advertising and promotion expenses	(349)	(374)	(25)	7%
Contribution after advertising and promotion	965	858	(107)	-11%
Profit from Recurring Operations	**697**	**555**	**(142)**	**-20%**

Asia/Rest of World *(€ million)*	**31.12.2022**	**31.12.2023**	**Variation (M€)**	**Variation (%)**
Net sales	3,122	2,850	(272)	-9%
Gross margin after logistics expenses	1,827	1,699	(128)	-7%
Advertising and promotion expenses	(400)	(357)	43	-11%
Contribution after advertising and promotion	1,427	1,342	(86)	-6%
Profit from Recurring Operations	**1,074**	**997**	**(77)**	**-7%**

Group *(€ million)*	**31.12.2022**	**31.12.2023**	**Variation (M€)**	**Variation (%)**
Net sales	7,116	6,590	(525)	-7%
Gross margin after logistics expenses	4,368	4,081	(287)	-7%
Advertising and promotion expenses	(994)	(980)	14	-1%
Contribution after advertising and promotion	3,375	3,101	(273)	-8%
Profit from Recurring Operations	**2,423**	**2,144**	**(279)**	**-12%**

Breakdown of sales - Presentation by category

€ million	**31.12.2022**	**31.12.2023**	**Variation (M€)**	**Variation (%)**
International Strategic Brands	4,668	4,209	(459)	-10%
Local Strategic Brands	1,215	1,149	(66)	-5%
Strategic Wines	274	232	(42)	-15%
Specialities	379	447	68	17%
Other products	580	553	(27)	-5%
TOTAL	**7,116**	**6,590**	**(526)**	**-7%**

NOTE 3. Notes to the income statement

Note 3.1. Other operating income and expenses

Other operating income and expenses are broken down as follows:

€ million	31.12.2022	31.12.2023
Impairment of property, plant and equipment and intangible assets	(8)	(15)
Gains or losses on asset disposals and acquisition costs	129	202
Net restructuring and reorganisation expenses	(48)	(48)
Disputes and risks	11	2
Other non-current operating income and expenses	1	–
Other operating income and expenses	**86**	**142**

At December 31, 2023, other operating income and expenses primarily consisted of income from asset disposals for €202m (see Note 1.2 - Significant events of the semester), and restructuring costs of €(48)m euros.

Note 3.2. Financial income/(expense)

€ million	31.12.2022	31.12.2023
Interest expenses on net financial debt	(144)	(211)
Financial expenses on lease liabilities	(5)	(8)
Interest income on net financial debt	24	31
Net financing cost	**(126)**	**(187)**
Structuring and placement fees	(1)	(1)
Net financial impact of pensions and other long-term employee benefits	(7)	(7)
Other net current financial income (expenses)	–	(5)
Financial income/(expense) from recurring operations	**(134)**	**(200)**
Foreign currency gains/(loss)	(5)	(15)
Other non-current financial income/(expenses)	–	(3)
FINANCIAL INCOME/(EXPENSE)	**(139)**	**(218)**

At 31 December 2023, the cost of net financial debt includes financial expenses relating to bonds (122 million euros), commercial paper (24 million euros), factoring and securitization contracts (26 million euros), interest on lease debt (8 million euros) and other expenses (7 million euros).

Note 3.3. Income tax

Analysis of effective tax rate

€ million	31.12.2022	31.12.2023
Operating profit	2,509	2,285
Financial income/(expense)	(139)	(218)
Taxable profit	**2,370**	**2,067**
Theoretical tax change at the effective income tax rate in France	(612)	(534)
Impact of tax rate differences by jurisdiction	124	86
Other impacts	(65)	(18)
Effective tax charge	**(553)**	**(466)**
Effective tax rate	**23 %**	**23 %**

The income tax expense for the period is calculated by applying the estimated effective income tax rate for the fiscal year, based on the information available as of the interim reporting date (see Note 1.1.1 - Policies and accounting standards governing the preparation of the financial statements).

Note 3.4. Earnings per share

Numerator (€ million)	31.12.2022	31.12.2023
Group share of net profit	1,792	1,569
Denominator (in number of shares)		
Average number of outstanding shares	256,635,870	252,792,605
Dilutive effect of bonus share allocations	612,826	521,141
Dilutive effect of stock options and subscription options	120,667	75,853
Average number of outstanding shares - diluted	**257,369,363**	**253,389,599**
Earnings per share (€)		
Earnings per share - basic	6.98	6.20
Earnings per share - diluted	6.96	6.19

NOTE 4. Notes to the balance sheet

Note 4.1. Intangible assets and goodwill

		Movements in the year					
€ million	30.06.2023	Acquisitions	Allowances	Disposals	Translation adjustments	Other movements	31.12.2023
Goodwill	6,896	69	–	–	(59)	(46)	6,859
Brands	14,600	32	–	–	(143)	(36)	14,452
Other intangible assets	572	16	–	(10)	(2)	(1)	576
Gross value	**22,068**	**117**	**–**	**(10)**	**(205)**	**(83)**	**21,887**
Goodwill	(146)	–	–	–	–	42	(103)
Brands	(2,550)	–	–	–	30	–	(2,520)
Other intangible assets	(372)	–	(30)	10	2	3	(388)
Amortisation/impairment	**(3,068)**	**–**	**(30)**	**10**	**31**	**45**	**(3,012)**
INTANGIBLES ASSETS AND GOODWILL, NET	**19,000**	**117**	**(30)**	**–**	**(173)**	**(38)**	**18,875**

Goodwill mainly comes from the acquisitions of Allied Domecq in July 2005 and of Vin&Sprit (« V&S ») in July 2008. The main brands recognised in the balance sheet are: Absolut, Ballantine's, Beefeater, Bumbu, Chivas Regal, Kahlúa, Luc Belaire, Malibu and Martell, most of which were recognised upon the acquisition of Seagram, Allied Domecq, Sovereign Brands and V&S.

Note 4.2. Inventories and work-in-progress

The inventories and work-in-progress are broken down at closing as follows:

		Movements in the year				
€ million	30.06.2023	Change in gross values	Change in impairment	Translation adjustments	Other movements	31.12.2023
Raw materials	303	25	–	(7)	(8)	314
Work-in-progress	6,437	282	–	(45)	9	6,684
Goods in inventory	890	(14)	–	(17)	–	859
Finished products	538	(63)	–	(9)	–	466
Gross value	**8,169**	**231**	**–**	**(78)**	**1**	**8,323**
Raw materials	(13)	–	(2)	–	–	(15)
Work-in-progress	(19)	–	(1)	–	–	(19)
Goods in inventory	(23)	–	(1)	–	–	(24)
Finished products	(10)	–	(4)	–	1	(14)
Impairment	**(65)**	**–**	**(8)**	**1**	**1**	**(71)**
Net Inventories and work in progress	**8,104**	**231**	**(8)**	**(77)**	**2**	**8,252**

As at 31 December 2023, 82% of work-in-progress relate to maturing inventories intended to be used for whisky and cognac production. The Group is not significantly dependent on its suppliers.

Note 4.3. Transfers of financial assets

In the first half of the period 2022/23, the Group continued to implement its programs to sell the receivables of several subsidiaries. Receivables sold under these programs totaled €1 203 million at 31 December 2023 and €749 million at 30 June 2023. As the transfer of substantially all risks and rewards is explicitly stated in the contracts, the receivables were derecognised.

Note 4.4. Non-current financial assets

Non-current financial assets are broken down as follows:

€ million	30.06.2023	31.12.2023
Shareholder equity instruments	432	460
Net value of IAS 19 surplus plans	230	229
Loans, guarantees and deposits	186	195
Other financial assets	7	5
NON-CURRENT FINANCIAL ASSETS	**855**	**889**

Note 4.5. Other current assets

Other current assets are broken down as follows:

€ million	30.06.2023	31.12.2023
Tax accounts receivable, excluding income taxes	227	188
Prepaid expenses	122	128
Advances and down payments	42	61
Other Receivables	44	79
TOTAL OTHER CURRENT ASSETS	**435**	**456**

Note 4.6. Provisions

4.6.1 Breakdown of provisions

The breakdown of provision at the balance sheet date is as follows:

€ million	30.06.2023	31.12.2023
Non-current provisions		
Provisions for pensions and other long-term employee benefits	349	395
Other non-current provisions for risks and charges	294	299
Current provisions		
Provisions for restructuring	68	54
Other current provisions for risk and charges	96	94
TOTAL PROVISIONS	**807**	**843**

Some Group companies are involved in disputes as part of their normal business activities. They are also subject to tax audits, some of which may lead to adjustment. The main disputes are described in Note 6.5 – Disputes.

At 31 December 2023, the amount of provisions booked by the Group in respect of disputes or risks in which it is involved amounted to €393 million, excluding uncertain tax positions presented within "Income taxes payables". The Group does not provide details (with exceptions), as it believes the disclosure of the amount of any provision booked in consideration of each pending dispute would be likely to cause serious harm to the Group.

4.6.2 Changes in provisions (other than provisions for pensions and other long-term employee benefits)

		Movement of the period						
€ million	30.06.2023	Allowances	Used reversals	Unused reversals	Reclassification	Translation adjustments	Other movements	31.12.2023
Other non-current provisions	294	22	(4)	(16)	6	(7)	4	299
Provisions for restructuring	68	25	(32)	(7)	1	(1)	–	54
Other current provisions	96	6	(4)	(3)	–	(1)	–	94
TOTAL	**458**	**53**	**(40)**	**(26)**	**7**	**(8)**	**4**	**447**

4.6.3 Provisions for pensions and other long-term employee benefits

The Group grants pension and retirement benefits and other post-employment benefits (medical insurance or life insurance), in the form of defined contribution or defined benefit plans.

- in France, benefit obligations mainly comprise arrangements for retirement indemnities (non-funded) and supplementary pension benefits (partly funded);
- in the United States and Canada, benefit obligations include funded pension plans guaranteed to employees as well as unfunded post-employment medical plans;
- in Ireland, the United Kingdom and the Netherlands, benefit obligations mainly consist of pension plans granted to employees.

The table below presents a reconciliation of the provision between 30 June 2023 and 31 December 2023 for both periods:

	30.06.2023			31.12.2023		
€ million	**Pension commitments**	**Health care and other employee benefits**	**Total**	**Pension commitments**	**Health care and other employee benefits**	**Total**
Opening net (assets)/liabilities	(13)	134	121	12	106	119
Impact of IFRIC on IAS 19	–	–	–	–	–	–
Expenses for the year	36	5	42	17	4	21
Actuarial (gains)/losses (1)	60	(20)	39	69	–	69
Employer contributions	(59)	–	(59)	(35)	–	(35)
Benefits paid directly by the employer	(9)	(7)	(16)	(3)	(3)	(7)
Change in scope of consolidation	–	–	–	–	–	–
Exchange differences	(3)	(5)	(8)	1	(2)	–
Net (assets)/liabilities at end of period	**12**	**107**	**119**	**62**	**105**	**166**
Amount recognized as an asset	(230)	–	(230)	(229)	–	(229)
TOTAL PROVISION FOR PENSION	**242**	**107**	**349**	**291**	**105**	**395**

*(1) Recognised as items of *other comprehensive income**

On 31 December 2023, non-current financial assets (€889 million) include €229 million of plan surplus related to employee benefits (see Note 4.4 Non-current financial assets).

The net financial impact recognised in income statement in respect of pensions and other long-term employee benefits is broken down as follows: :

Charge for the year *(€ million)*	**31.12.2022**	**31.12.2023**
Benefits accrued during the year	17	15
Interest on provisions	1	1
Fees/taxes/premiums	5	6
Impact of plan amendments/reductions in future entitlements	–	–
Impact of liquidation of commitments	–	–
NET EXPENSE/(INCOME) RECOGNIZED IN INCOME STATEMENT	**23**	**21**

Note 4.7. Financial liabilities

Net financial debt, as defined and used by the Group, corresponds to total gross debt (translated at the closing rate), including lease liabilities and fair value and net foreign currency assets hedged derivatives (hedging of net investments and similar), less cash and cash equivalents.

4.7.1 Breakdown of net financial debt by nature and maturity

	30.06.2023			31.12.2023		
€ million	Current	Non-current	Total	Current	Non-current	Total
Bonds	**580**	**9,678**	**10,258**	**739**	**10,318**	**11,057**
Syndicated loans	–	–	–	–	–	–
Commercial paper	801	–	801	1,160	–	1,160
Other loans and financial debts	155	173	328	181	128	310
Other financial liabilities	**956**	**173**	**1,129**	**1,341**	**128**	**1,470**
Gross financial debt	**1,536**	**9,851**	**11,387**	**2,080**	**10,446**	**12,526**
Fair value hedge derivatives instruments - assets	–	–	–	–	–	–
Fair value hedge derivatives instruments - liabilities	–	14	14	–	10	10
Fair value hedging derivatives	–	14	14	–	10	10
Net investments hedging derivative instruments - assets	–	(3)	(3)	–	(7)	(7)
Net investment hedging derivatives instruments - liabilities	–	–	–	–	–	–
Net investment hedge derivatives	–	(3)	(3)	–	(7)	(7)
Financial debt after hedging	**1,536**	**9,862**	**11,398**	**2,080**	**10,449**	**12,529**
Cash and cash equivalents	**(1,609)**	**–**	**(1,609)**	**(1,639)**	**–**	**(1,639)**
Net financial debt excluding lease liability	**(73)**	**9,862**	**9,789**	**441**	**10,449**	**10,890**
Lease liabilities	**99**	**384**	**484**	**97**	**396**	**493**
Net financial debt	**26**	**10,246**	**10,273**	**539**	**10,844**	**11,383**

4.7.2 Breakdown of debt excluding rental debt by currency before and after currency hedging instruments at June 30, 2023 and December 31, 2023

30.06.2023 *€ million*	Gross financial debt	Amount hedged	Debt after hedging	Cash	Net debt after hedging	% debt after hedging	% Net debt after hedging
EUR	8,094	563	8,657	(517)	8,140	76%	83%
USD	3,261	(112)	3,149	(190)	2,959	28%	30%
GBP	–	(55)	(55)	(125)	(180)	0%	-2%
SEK	1	(101)	(100)	(42)	(141)	-1%	- 1 %
Other currencies	31	(284)	(253)	(736)	(988)	-2%	- 10 %
FINANCIAL DEBT BY CURRENCY	**11,387**	**11**	**11,398**	**(1,609)**	**9,789**	**100%**	**100%**

31.12.2023 *€ million*	Gross financial debt	Amount hedged	Debt after hedging	Cash	Net debt after hedging	% debt after hedging	% Net debt after hedging
EUR	9,220	(815)	8,405	(825)	7,580	67%	70%
USD	3,210	755	3,965	(214)	3,751	32%	34%
GBP	3	(211)	(208)	(64)	(273)	-2%	-3%
SEK	2	(132)	(130)	(43)	(172)	-1%	-2%
Other currencies	92	405	497	(493)	4	4%	0%
FINANCIAL DEBT BY CURRENCY	**12,526**	**3**	**12,529**	**(1,639)**	**10,890**	**100%**	**100%**

4.7.3 Breakdown of fixed/floating-rate debt excluding rental debt before and after interest-rate hedging instruments at June 30, 2023 and December 31, 2023

	30.06.2023				31.12.2023			
€ million	Debt before hedging		Debt after hedging		Debt before hedging		Debt after hedging	
Fixed-rate debt	10,565	93%	10,380	91%	11,329	90%	11,148	89%
Capped floating-rate debt	–	–%	–	–%	–	–%	–	–%
Floating-rate debt	834	7%	1,018	9%	1,200	10%	1,381	11%
FINANCIAL DEBT AFTER HEDGING BY TYPE OF RATE	**11,398**	**100%**	**11,398**	**100%**	**12,529**	**100%**	**12,529**	**100%**

At 31 December 2023, before taking into account of any hedges, 90% of the Group's gross debt was fixed-rate and 10% floating-rate. After hedging, the floating-rate part was 11%.

4.7.4 Schedule of financial liabilities at 30 June 2023 and at 31 December 2023

The following table shows the maturity of future financial liability-related cash flows (nominal and interest). Variable interest flows have been estimated on the basis of rates at 30 June 2023 and 31 December 2023.

30.06.2023 *€ million*	Balance Sheet value	Contractual flows	< 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years
Nominal value	(11,387)	(11,321)	(1,398)	(97)	(1,675)	(1,176)	(29)	(1,077)	(5,869)
Interest	–	(1,984)	(107)	(95)	(202)	(177)	(150)	(150)	(1,105)
Gross financial debt	**(11,387)**	**(13,305)**	**(1,504)**	**(192)**	**(1,877)**	**(1,353)**	**(179)**	**(1,226)**	**(6,973)**
Lease liabilities	**(484)**	**534**	**42**	**66**	**80**	**66**	**55**	**44**	**182**
Cross currency swaps	*3*	–	–	–	–	–	–	–	–
Flows payable	–	(480)	–	(10)	(470)	–	–	–	–
Flows receivable	–	470	–	5	465	–	–	–	–
Derivative instruments - liabilities	(23)	(30)	(9)	(4)	(7)	(7)	–	–	–
Derivative instruments - liabilities	**(20)**	**(40)**	**(9)**	**(9)**	**(12)**	**(7)**	**–**	**–**	**–**
TOTAL FINANCIAL LIABILITIES	**(11,891)**	**(12,811)**	**(1,471)**	**(135)**	**(1,809)**	**(1,294)**	**(124)**	**(1,182)**	**(6,792)**

31.12.2023 *€ million*	Balance Sheet value	Contractual flows	< 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years
Nominal value	(12,526)	(12,448)	(1,250)	(740)	(1,025)	(1,166)	(1,121)	(1,159)	(5,987)
Interest	–	(2,227)	(94)	(156)	(237)	(217)	(199)	(171)	(1,153)
Gross financial debt	**12,526**	**(14,674)**	**(1,345)**	**(897)**	**(1,261)**	**(1,383)**	**(1,320)**	**(1,329)**	**(7,139)**
Lease liabilities	**(493)**	**568**	**46**	**73**	**98**	**75**	**57**	**44**	**175**
Cross currency swaps	7	–	–	–	–	–	–	–	–
Flows payable	–	(472)	(10)	–	(462)	–	–	–	–
Flows receivable	–	470	5	–	465	–	–	–	–
Derivative instruments - liabilities	(28)	(35)	(22)	(3)	(7)	(3)	–	–	–
Derivative instruments - liabilities	**(21)**	**(37)**	**(26)**	**(3)**	**(4)**	**(3)**	**–**	**–**	**–**
TOTAL FINANCIAL LIABILITIES	**12,012**	**(14,144)**	**(1,325)**	**(827)**	**(1,168)**	**(1,311)**	**(1,264)**	**(1,286)**	**(6,964)**

4.7.5 Credit lines

At 31 December 2023, credit lines comprised the multi-currency syndicated loan of €2,100 million, a bilateral line of €500 million and a Champagne loan of €260 million. No drawdowns have been made from these credit lines.

4.7.6 Bonds

Nominal amount	Interest rate	Issue date	Maturity	Carrying amount at 31.12.2023 € million
850 MUSD	5.50%	01.12.2012	01.15.2042	777
650 MEUR	2.13%	09.29.2014	09.27.2024	653
600 MEUR	1.50%	05.17.2016	05.18.2026	605
600 MUSD	3.25%	06.08.2016	06.08.2026	531
500 MEUR	0.50%	10.24.2019	10.24.2027	499
500 MEUR	0.88%	10.24.2019	10.24.2031	495
750 MEUR	1.13%	04.01.2020	04.07.2025	754
750 MEUR	1.75%	04.01.2020	04.08.2030	755
250 MEUR	1.13%	04.27.2020	04.07.2025	253
250 MEUR	1.75%	04.27.2020	04.08.2030	263
600 MUSD	1.25%	10.01.2020	04.01.2028	542
900 MUSD	1.63%	10.01.2020	04.01.2031	810
500 MUSD	2.75%	10.01.2020	10.01.2050	441
500 MEUR	0.13%	10.04.2021	10.04.2029	492
750 MEUR	1.38%*	04.07.2022	04.07.2029	748
500 MEUR	3,75%*	11.02.2022	11.02.2032	494
600 MEUR	3.25%*	11.02.2022	11.02.2028	595
600 MEUR	3.75%	09.15.2023	09.15.2027	604
750 MEUR	3.75%	09.15.2023	09.15.2033	744
TOTAL BONDS				**11,057**

** Subject to the achievement of the key performance indicators to which this obligation is linked.*

Note 4.8. Financial instruments

		Breakdown by accounting classification				30.06.2023	
€ million	**Measurement level**	**Fair value - profit**	**Fair value through Equity**	**Loans and receivables**	**Liabilities at amortised cost**	**Balance sheet value**	**Fair value**
ASSETS							
Equity instruments	Level 1 and 3	–	432	–	–	432	432
Guarantees, deposits, investment-related receivables	Level 2	–	–	186	–	186	186
Trade receivables and other operating receivables	Level 2	–	–	1,814	–	1,814	1,814
Other current assets	Level 2	–	–	435	–	435	435
Derivative instruments - assets	Level 2	13	7	–	–	20	20
Cash and cash equivalents	Level 1	1,609	–	–	–	1,609	1,609
LIABILITIES							
Bonds	Level 1	–	–	–	10,258	10,258	9,308
Bank debt	Level 2	–	–	–	1,129	1,129	1,129
Financial lease debt	Level 2	–	–	–	484	484	484
Derivative instruments - liabilities	Level 2	18	2	–	–	20	20

€ million	Measurement level	Breakdown by accounting classification				31.12.2023	
		Fair value - profit	Fair value through Equity	Loans and receivables	Liabilities at amortised cost	Balance sheet value	Fair value
ASSETS							
Equity instruments	Level 1 and 3	–	460	–	–	460	460
Guarantees, deposits, investment-related receivables	Niveau 2	–	–	195	–	195	195
Trade receivables and other operating receivables	Niveau 2	–	–	2,458	–	2,458	2,458
Other current assets	Niveau 2	–	–	456	–	456	456
Derivative instruments - assets	Level 2	7	9	–	–	16	16
Cash and cash equivalents	Level 1	1,639	–	–	–	1,639	1,639
LIABILITIES							
Bonds	Niveau 1	–	–	–	11,057	11,057	9,045
Bank debt	Niveau 2	–	–	–	1,470	1,470	1,470
Financial lease debt	Niveau 2	–	–	–	493	493	493
Derivative instruments - liabilities	Level 2	26	1	–	–	27	27

**Including 11 million euros of assets derecognized with continuing involvement as factoring and securitization deposits.*

The methods used are as follows:

- debt: the fair value of the debt is determined for each loan by discounting future cash flows on the basis of market rates at the balance sheet date, adjusted for the Group's credit risk; for floating rate bank debt, fair value is approximately equal to carrying amount;
- bonds: market liquidity enabled the bonds to be valued at their fair value using the quoted prices;
- other long-term financial liabilities: the fair value of other long-term financial liabilities is calculated for each loan by discounting future cash flows using an interest rate taking into account the Group's credit risk at the balance sheet date;
- derivative instruments: the market value of instruments recognized in the financial statements at the balance sheet date was calculated on the basis of available market data, using current valuation models.

The hierarchical levels for fair value disclosures below accord with the definitions in the amended version of IFRS 7 (Financial Instruments: Disclosures):

- Level 1: fair value based on prices quoted in an active market;
- Level 2: fair value measured based on observable market data (other than quoted prices included in Level 1);
- Level 3: fair value determined by valuation techniques based on unobservable market data.

In accordance with IFRS 13, derivatives were measured taking into account the Credit Valuation Adjustment (CVA) and the Debt Valuation Adjustment (DVA). The measurement is based on historical data (rating of counterparty banks and probability of default). At 31 December 2023, the impact was not significant.

Note 4.9. Other current liabilities

Other current liabilities are broken down as follows:

€ million	30.06.2023	31.12.2023
Tax and social security liabilities	835	916
Other current liabilities	721	125
TOTAL OTHER CURRENT LIABILITIES	**1,556**	**1,041**

Other current liabilities decrease between June 30 and December 31, 2023 is mainly explained by the €521 million interim dividend paid on 7 July 2023. Most of these other current liabilities are due within one year.

NOTE 5. Notes to the consolidated cash flow statement

5.1 Working capital requirement

The working capital requirement has increased by +€1 169 million due to a usually stronger activity at the end of December compared to the end of June. It is mainly explained as follows:

- Inventory: +€209 million;
- trade receivables: +€689 million;
- trade payables: +€368 million;
- others: €(96) million.

5.2 Acquisitions of financial assets and activities

The acquisitions of financial assets and activities net of disposals generated a cash outflow of (18) million euros, mainly related to the acquisitions of activities of the period described in paragraph 1.2.1 of Note 1.2 - *Significant events of the semester.*

5.3 Bond issues/repayment of debt

During the financial year, Pernod Ricard has issued debt for €1 692 million and redeemed debt for €(601) million. These transactions mainly correspond to the bond subscriptions and redemptions described in paragraph 1.2.2 of Note 1.2 – Significant events of the semester.

In addition, the Group increased the stock of commercial paper for €359 million.

The Group also paid €75 million in respect of its lease liabilities, of which €67 million related to repayment of the nominal amount and €8 million to interest payments reported in cash flow from operating activities.

NOTE 6. Additional information

Note 6.1. Shareholders' equity

6.1.1 Share capital

Pernod Ricard's share capital did not change between 1st July 2023 and 31 December 2023:

	Number of shares	Amount in millions of euros
Share capital at 30.06.2023	255 631 733	396
Share capital at 31.12.2023	255 631 733	396

All Pernod Ricard shares are issued and fully paid for a nominal value of 1,55 euro. Only one category of Pernod Ricard shares exists. These shares obtain double voting rights if they have been nominally registered for an uninterrupted period of 10 years.

6.1.2 Treasury shares

On 31 December 2023, Pernod Ricard SA and its controlled subsidiaries held 3 319 663 Pernod Ricard shares for a value of €623 million, including €451 million acquired under the share buyback programs.

These treasury shares are reported, at cost, as a deduction from shareholders' equity.

6.1.3 Dividends paid and proposed

Following the resolution agreed upon during the Shareholders' Meeting of 10 November 2023, the total dividend in respect of the financial year ended 30 June 2023 was €4.70 per share. An interim dividend payment of €2.06 per share having been paid on 7 July 2023, the balance amounting to €2.64 per share has been paid on 28 November 2023.

Note 6.2. Share-based payments

The Group recognised an expense of €24 million within operating profit relating to stock option and performance-based share applicable on 31 December 2023.

Stock option, performance-based share and free share plans are equity settled.

The number of options and outstanding shares changed as follows between 30 June and 31 December:

	Units
Number of outstanding options / shares at June 30, 2023	**1,311,610**
Number of options exercised / shares acquired during the period	(177,557)
Number of options / shares cancelled over the period	(52,516)
Number of options / shares newly granted over the period	281,919
Number of outstanding options / shares at December 31, 2023	**1,363,456**

Note 6.3. Off-balance sheet commitments

The Group's off-balance sheet commitments given amounted to € 3,576 million as of December 31, 2023, compared to € 3,682 million as of June 30, 2023.

Off-balance sheet commitments received from the Group amounted to € 3,062 million as of December 31, 2023, compared to € 3,033 million as of June 30, 2023.

Note 6.4. Contingent liabilities

Contingent tax liabilities

Pernod Ricard has received several notices of tax adjustment for 2007 to 2018, specifically concerning, for an amount of INR 9,716 million (equivalent to €109.62 million, including interest at the date of the reassessment), the tax deductibility of promotion and advertising expenses. It should be noted that the level and amount of this risk have been gradually and significantly reduced in recent years and that the Company obtained two court rulings in its favour in 2020 for the period from 2007 to 2014. These court decisions further strengthen Pernod Ricard India’s position on the tax deductibility of advertising and promotion expenses. Reassured by these decisions and after consulting with its tax advisers, Pernod Ricard India will continue to dispute the merits of the reassessment proposal and believes it has a probable chance of success in litigation. Accordingly, no provision has been booked for this matter.

The tax authorities conducted a special audit for 2017 and made tax adjustments for an amount of INR 1,507 million (equivalent to €17 million) on various grounds. Pernod Ricard has challenged the reassessment and believes it has strong chances of relief.

Contingent liabilities related to the change in the legal framework applicable to the Delhi Route to Market

In November 2021, the new Excise Policy applicable in the National Capital Territory of Delhi changed the alcohol distribution system, from government-run corporation model to private distributors and retailers.

The context of the change in route to market is currently under investigation by two government agencies. These investigations relate to accusations that irregularities were committed by certain Delhi officials, as well as distributors and retailers, in the development and implementation of this excise policy.

In that context, on February, 2nd, 2023, a Delhi District Court took cognizance of a charge sheet filed by the Enforcement Directorate of India, claiming that, among others, Pernod Ricard India and one of its employees might have benefited from undue gains under the new Excise Policy, allegedly in breach of certain provisions of the Indian Prevention against Money Laundering Act.

The investigation by the authorities is still ongoing and neither the exact exposure, nor its likelihood, of occurrence can be assessed at this stage.

As a responsible corporate citizen, Pernod Ricard India is committed to comply with the laws of the country and will vigorously defend all allegations made against it.

Note 6.5. Disputes

In the normal course of business, Pernod Ricard is involved in a number of individual and collective legal, governmental, arbitration and administrative proceedings.

A provision for such proceedings is only recognised under “Other provisions for risks and charges” (see Note 4.6 – *Provisions*) when it is probable that a present obligation arising as a result of a past event will require the payment of an amount that can be estimated reliably. In the latter case, the provisioned amount corresponds to the best estimate of the risk. The provisioned amount recorded is based on the assessment of the level of risk on a case-by-case basis, it being specified that any events arising during the proceedings may at any time require that risk to be reassessed.

The provisions recorded by Pernod Ricard at 31 December 2023 for all disputes and risks in which it is involved amounted to €393 million, compared with €390 million at 30 June 2023 (see Note 4.6 – *Provisions*), excluding uncertain tax positions recognised in income taxes payable. Pernod Ricard provides no further details (other than in exceptional circumstances), as disclosing the amount of any provision for ongoing litigation could cause the Group serious harm.

To the best of the Company’s knowledge, there are no other legal, arbitration or governmental proceedings or exceptional events (including any proceedings of which the Company is aware that is pending or threatened) that may have or have had over the last 12 months a material impact on the profitability of the Company and/or the Group, other than those described below.

Disputes relating to brands

Havana Club

The Havana Club brand is owned by a joint venture company called Havana Club Holding SA (HCH), of which Pernod Ricard is a shareholder, and is registered in over 200 countries in which the Havana Club rum is distributed. In the United States, this brand is owned by a Cuban company (Cubaexport). Ownership of this brand is currently being challenged in the United States by a competitor of Pernod Ricard.

In 1998, the United States passed a law relating to the conditions for the protection of brands previously used by companies nationalized by the Cuban government. This law was condemned by the World Trade Organization (WTO) in 2002. However, to date, the United States has not amended its legislation to comply with the WTO decision.

1. The United States Office of Foreign Assets Control (OFAC) decided that this law had the effect of preventing any renewal of the US trademark registration for the Havana Club brand, which, in the United States, has been owned by Cubaexport since 1976, without obtaining a specific licence from OFAC. In August 2006, the United States Patent and Trademark Office (USPTO) denied the renewal of the said Havana Club trademark registration, following OFAC’s refusal to grant a specific licence. Cubaexport petitioned the Director of the USPTO to reverse this decision and also filed a claim against the OFAC, challenging both OFAC’s decision and the law and regulations applied by OFAC. In March 2009, the US District Court for the District of Columbia ruled against Cubaexport. In March 2011, in a two-to-one decision, the Court of Appeals blocked Cubaexport from renewing its trademark. A certiorari petition was filed before the US Supreme Court on 27 January 2012, with the support of the French government, the National Foreign Trade Council and the Washington Legal Foundation. On 14 May 2012, the Supreme Court denied the petition. In November 2015, Cubaexport again applied for a specific licence from OFAC to renew the trademark in the United States. On 11 January 2016, OFAC granted Cubaexport’s licence application and on 13 January 2016, the application to the Director of USPTO was declared admissible and the trademark was renewed for the 10-year period ending on 27 January 2016. A request for a further renewal for a period of 10 years from 27 January 2016 was also granted.

2. A competitor of the Group (Bacardi) has petitioned the USPTO court (TTAB) to cancel the Havana Club trademarks in the United States. In January 2004, the TTAB denied the petition and refused to cancel the trademark registration. As this decision was appealed, proceedings are now ongoing before the Federal District Court for the District of Columbia (DC Court). These proceedings were stayed pending the outcome of Cubaexport’s petition to the USPTO. Following acceptance of the petition by the Director of the USPTO, these judicial proceedings resumed and the plaintiff amended the complaint. In response, Cubaexport and HCH filed two motions: one to dismiss all actions commenced against them and one to expedite proceedings on certain issues. These motions were pending a decision by the DC Court until March 6, 2023, when the DC Court granted in part and denied in part Cubaexport's motions, remanding for analysis on the merits the arguments that were the subject of the denied motions. On April 19, Cubaexport responded to Bacardi's initial claims and counterclaimed for infringement of its Havana Club trademark. On April 23, the parties jointly submitted a timetable for further proceedings in the case, including any pre-trial discovery (i.e., production of evidence). On May 19, Bacardi filed a motion asking the DC Court to dismiss Cubaexport's counterclaim. We await the DC Court's decision on Cubaexport's counterclaim.

These risks constitute a potential obstacle to the Group’s business development but there are no foreseeable obligations resulting from these events at the present time. The resolution of these disputes would represent a business development opportunity for the Group.

Tax disputes

The Group's companies are regularly audited by the tax authorities in the countries in which they are registered.

The assessment of the risk related to each tax dispute is regularly reviewed by the affiliate and by the Group's Tax Department, with the assistance of external counsel for the most material or complex cases. Provisions are recognised if necessary. Pernod Ricard provides no further details (other than in exceptional circumstances), as disclosing the amount of any provision for ongoing tax litigation could cause the Group serious harm.

India

Pernod Ricard India (P) Ltd has an ongoing dispute with the Indian customs authorities over the declared transaction value of concentrates of alcoholic beverages (CAB) imported into India. Customs are challenging the transaction values, arguing that some competitors used different values for the import of similar goods. This matter was ruled on by the Supreme Court, which issued an order in July 2010, setting out the principles applicable for the determination of values that should be taken into account for the calculation of duty. Pernod Ricard India (P) Ltd has already paid the corresponding amounts up to 2001. For the period between 2001 and December 2010, Pernod Ricard India (P) Ltd has paid almost the entire differential duty as determined by customs in Delhi following the initial adjustment notice received in 2011. A second notice received in 2013 and confirmed by a court on 14 August 2017 has been suspended by the Supreme Court. As regards the Company's CAB imports since 2011, Indian authorities have issued reports challenging the transaction values as well as three show cause notices dated 2022, but failed to disclose all the data underlying their allegations. The Group has filed court requests to obtain such data and continues to actively work with the authorities and courts to resolve pending issues. In addition, pending resolution of the dispute, the customs authorities have demanded bank guarantees for the additional adjusted duties. The company challenged this request before the Supreme Court and obtained a stay of execution in March 2023.

Pernod Ricard India (P) is also involved in a debate with the Indian customs authorities over the transaction value of international products imported into India. Discussions are ongoing with the relevant authorities and courts.

Moreover, Pernod Ricard India (P) received several notices of tax adjustment for 2007 to 2018 relating to the tax deductibility of advertising and promotion expenses (see Note 6.4 – *Contingent liabilities*). In 2020, Pernod Ricard India (P) obtained two court rulings in its favour for the period from 2007 to 2014, strengthening its position on the tax deductibility of advertising and promotion expenses.

It should be noted that a provision for the above-mentioned disputes is only recognised, as appropriate in other provisions for risks and charges (see Note 4.6 – *Provisions*) or in income taxes payable (see Note 3.3 – *Corporate income tax*), when it is probable that a present obligation arising as a result of a past event will require the payment of an amount that can be estimated reliably. The amount of the provision is the best estimate of the expenditure required to settle the liability.

Commercial disputes

Colombia

Two separate complaints were filed jointly before the Colombian Competition Agency (*Superintendencia de Industria y Comercio*) on 14 November 2017 by the department of Cundinamarca and its wholly owned distilling company Empresa de Licores de Cundinamarca against Pernod Ricard SA, Pernod Ricard Colombia SA and a competitor company. In late December 2020, Pernod Ricard Colombia received notice of a similar complaint, initially filed in September 2019 by the departments of Valle and Antioquia (as well as wholly owned distillation companies). The complaint alleges that the defendants have committed violations of the Colombian Unfair Competition Act and, in particular, Articles 7 and 18 thereof, through the illegal import of spirits into Colombia. The complaints allege that the companies have gained an unfair market advantage over local producers through such activity. The plaintiffs seek damages corresponding to the loss of profits and taxes over the period 2013/17 (2019 in the case of Valle and Antioquia).

Pernod Ricard intends to vigorously defend itself against such allegations. These complaints contains allegations that are similar to those made in prior legal proceedings before the New York courts brought by Cundinamarca, the Republic of Colombia and several other Colombian departments in 2004. The New York proceedings were voluntarily discontinued by the parties in 2012.

Note 6.6. Related parties

During the first half-year ended 31 December 2023, relations between the Group and its associates remained the same as in the financial year ended 30 June 2023, as mentioned in the Universal Registration Document.

In particular, no transactions considered unusual with regards to their nature or amount occurred over the period.

Note 6.7. Subsequent Events

There are no post-closing events having significant impact on the Group's financial statements.

NOTE 7. Consolidation scope

The main changes in scope as of December 31, 2023 are presented in Note 1.2 – *Significant events of the semester*.

4 STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEAR FINANCIAL INFORMATION

For the period from July 1 to December 31, 2023

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders of Pernod Ricard S.A.,

In compliance with the assignment entrusted to us by your Shareholders' meetings and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Pernod Ricard S.A., for the period from July 1 to December 31, 2023,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements were prepared under the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris La Défense, February 15, 2024

The Statutory Auditors

French original signed by

KPMG S.A.		Deloitte & Associés	
Caroline Bruno-Diaz Partner	Adrien Johner Partner	Marc de Villartay Partner	Loris Strappazzon Partner